

Message Text

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FOLTEL FM STATE SENT OECD PARIS, ALL OECD CAPS, EC BRUSSELS,
USMISSION GENEVA 25 SEP 73 REPEATED TO YOU

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SUBJECT: OECD TRADE COMMITTEE WORKING PARTY (TCWP)
CONSULTATIONS ON U.S. EXPORT CONTROLS, SEPTEMBER 25-26
REF: (A) OECD PARIS 23682; (B) STATE 179349

1. FOLLOWING IS CLEARED TEXT OF STATEMENT ON U.S. EXPORT
CONTROLS TO BE PRESENTED BY THE DELEGATION OF THE UNITED
STATES TO THE SEPTEMBER 25-26 MEETING OF THE OECD TRADE
COMMITTEE WORKING PARTY. BEGIN TEXT QUOTE:

2. THE BACKGROUND AND CIRCUMSTANCES SURROUNDING U.S. EXPORT
CONTROLS ON CERTAIN AGRICULTURAL COMMODITIES IN RECENT
MONTHS ARE DESCRIBED IN OUR NOTIFICATION TO THE TRADE
COMMITTEE WHICH HAS BEEN PUBLISHED AS SECRETARIAT DOCUMENT
TFD/TD/741. IT MAY BE USEFUL TO START BY BRIEFLY REVIEWING
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SOME OF THE KEY POINTS OF THAT SUBMISSION.

3. WITH THE GREATEST RELUCTANCE, THE UNITED STATES UNDER-
TOOK A SERIES OF NECESSARY MEASURES WITH RESPECT TO THESE

COMMODITIES ONLY WHEN AN EXTRAORDINARILY HIGH WORLD DEMAND FOR CERTAIN AGRICULTURAL COMMODITIES BROUGHT FORTH SHARP PRICE RISES AND A SERIOUS WORLD SHORT-SUPPLY SITUATION. WE CONTINUE TO BE COMMITTED TO THE VERY SOUND PRINCIPLE THAT THERE SHOULD BE THE FREEST POSSIBLE FLOW OF INTERNATIONAL TRADE IN AGRICULTURAL COMMODITIES, BASED UPON THE CONCEPT OF COMPARATIVE ADVANTAGE.

4. ON JUNE 13, THE UNITED STATES PUT INTO OPERATION AN EMERGENCY REPORTING SYSTEM FOR MAJOR FOOD AND FEED GRAINS, INCLUDING SOYBEANS. BY JUNE 27, IT HAD BECOME EVIDENT THAT WE FACED AN IMMEDIATE SHORTAGE CRISIS SITUATION IF THE GOVERNMENT FAILED TO INTERVENE. A TEMPORARY EMBARGO WAS THEREFORE IMPOSED. A LICENSING SYSTEM WAS ESTABLISHED ON JULY 2 WHICH REPLACED THE EMBARGO AND PERMITTED THE EXPORT OF FIFTY PERCENT OF SOYBEANS, FORTY PERCENT OF SOYBEAN OILCAKES AND MEALS, AND ONE HUNDRED PERCENT OF COTTONSEEDS AND COTTONSEED MEALS AND OILCAKES WHICH WERE CONTRACTED FOR ON OR BEFORE JUNE 13. ON JULY 5, THE LICENSING SYSTEM WAS EXTENDED TO FORTY-ONE CATEGORIES OF AGRICULTURAL COMMODITIES, INCLUDING EDIBLE OILS, ANIMAL FATS, AND LIVESTOCK PROTEIN FEED BECAUSE OF THE INHERENT SUBSTITUTABILITY OF THESE PRODUCTS.

5. THE UNITED STATES HAS KEPT THE CONTROLS UNDER CONSTANT SURVEILLANCE WITH THE INTENTION OF LIBERALIZING THEM WHERE POSSIBLE. ON JULY 11, A PROCEDURE WAS ESTABLISHED FOR GRANTING LICENSES IN CASES OF SPECIAL HARDSHIP.

6. ON JULY 27 THE LICENSING SYSTEM WAS MODIFIED TO PERMIT EXPORT OF THE FORTY-ONE COMMODITIES ON THE JULY 5 LIST. ON AUGUST 1, SEPTEMBER SHIPMENTS WERE AUTHORIZED FOR SOYBEAN EXPORTS ON THE BASIS OF ONE HUNDRED PERCENT OF THE UNFILLED BALANCE OF ORDERS WHICH HAD BEEN ACCEPTED ON OR BEFORE JUNE 13.

7. ON SEPTEMBER 7, ON THE BASIS OF ITS CONTINUING EXAMI-
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NATION OF THE WORLDWIDE SUPPLY AND DEMAND SITUATION, THE UNITED STATES ANNOUNCED THAT EXPORT CONTRACTS ENTERED INTO ON OR AFTER SEPTEMBER 8 FOR THE EXPORT OF SOYBEANS, COTTONSEEDS, AND THEIR BY-PRODUCTS, AS WELL AS OTHER VEGETABLE OILS, ANIMAL FATS, AND LIVESTOCK PROTEIN FEEDS, COULD BE HONORED IN FULL. THE ANNOUNCEMENT ALSO STATED THAT WE ANTICIPATE THAT ALL RESTRICTIONS ON EXPORTS OF THESE COMMODITIES WOULD BE TERMINATED AS OF OCTOBER 1, 1973. LAST FRIDAY, MR. CHAIRMAN, MY GOVERNMENT ANNOUNCED THAT ALL RESTRICTIONS ON EXPORT OF AGRICULTURAL COMMODITIES WILL, IN FACT, BE TERMINATED ON OCTOBER 1 AS ANTICIPATED.

8. AT THE SAME TIME, HOWEVER, WE WILL MAINTAIN THE

REPORTING SYSTEM ESTABLISHED LAST JUNE TO MONITOR OUT-STANDING CONTRACTS ON THESE AND OTHER MAJOR AGRICULTURAL PRODUCTS. IN THIS WAY, WE HOPE TO AVOID IN THE FUTURE BEING CAUGHT WITHOUT ADEQUATE INFORMATION ON ANY SUDDEN SURGE IN DEMAND.

9. ALSO THIS YEAR A SERIOUS SUPPLY/DEMAND PROBLEM AROSE WITH RESPECT TO FERROUS STEEL SCRAP. WORLD DEMAND FOR THIS COMMODITY INCREASED SHARPLY IN 1973, PUSHING U.S. SCRAP EXPORTS FOR THE FIRST FIVE MONTHS OF THE YEAR SOME NINETY-ONE PERCENT ABOVE THE COMPARABLE 1972 PERIOD. THIS COINCIDED WITH STRONG DOMESTIC REQUIREMENTS WHICH TIGHTENED U.S. SUPPLY AND DROVE DOMESTIC PRICES TO SUBSTANTIALLY HIGHER LEVELS. FOLLOWING THE ESTABLISHMENT OF THE REPORTING SYSTEM FOR ANTICIPATED EXPORTS, IN VIEW OF THE MAGNITUDE OF THE SITUATION, WE WERE COMPELLED ON JULY 2 TO INSTITUTE A FERROUS SCRAP EXPORT LICENSING PROGRAM. WE DID SO RELUCTANTLY AND GRADUALLY, AND ONLY AFTER IT BECAME CLEAR THAT OTHER EFFORTS ON OUR PART TO ALLEVIATE THE PROBLEM, INCLUDING A SUBSTANTIAL INCREASE IN OFFERINGS OF U.S. GOVERNMENT-OWNED SCRAPPABLE SHIPS, COULD NOT PROVIDE A FULL ANSWER. BEFORE THIS TIME, THE U.S. HAD REMAINED VIRTUALLY THE ONLY LEADING INDUSTRIAL NATION OF THE FREE WORLD THAT HAD NEITHER BANNED NOR IMPOSED SEVERE LIMITATIONS ON THE EXPORT OF FERROUS SCRAP.

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10. IT SHOULD BE NOTED THAT THE INABILITY TO MEET SHORT-TERM INCREASES IN DEMAND FOR AGRICULTURAL PRODUCTS OUT OF CURRENT SUPPLY CAME ABOUT DESPITE THE FACT THAT 1972 WAS ONE OF THE BEST YEARS FOR AGRICULTURAL PRODUCTION IN THE UNITED STATES. THE PROBLEM AROSE FROM FACTORS OUTSIDE THE CONTROL OF THE U.S. INCREASED DEMAND FOR U.S. AGRICULTURAL PRODUCTS--ARISING INTER ALIA FROM SUCH FACTORS AS DISAPPOINTING HARVESTS IN THE SOVIET UNION, EASTERN EUROPE, ASIA AND AUSTRALIA; THE DECLINE IN PERUVIAN FISHMEAL SOURCES; AND RISING INCOMES THROUGHOUT THE WORLD--CREATED A VERY SERIOUS SITUATION. EVEN BY DRAWING DOWN ITS RESERVES, THE U.S. COULD NOT SUPPLY ALL THE REQUESTS FOR COMMODITIES WITH WHICH IT WAS PRESENTED. IT IS NOT YET CLEAR TO WHAT EXTENT THE SHARP UPTURN IN THESE REQUESTS REPRESENTED IMMEDIATE CONSUMPTION NEEDS, AND TO WHAT EXTENT IT REFLECTED THE DESIRE OF TRADERS TO BE ABLE TO FILL THE NEEDS OF THEIR CUSTOMERS UNDER ANTICIPATED SHORT-AGE CONDITIONS.

11. EVEN WITH CONTROLS, U.S. EXPORTS OF SOYBEANS AND SOYBEAN MEAL ARE SETTING NEW RECORDS FOR THE CROP YEAR JUST ENDING. TAKING THESE TWO COMMODITIES TOGETHER, THE UNITED STATES WILL EXPORT THE EQUIVALENT OF ABOUT SIX HUNDRED SEVENTY-EIGHT MILLION BUSHELS THIS CROP YEAR, COMPARED WITH

FIVE HUNDRED SEVENTY-SIX MILLION BUSHELS LAST YEAR. BY CONTRAST, DOMESTIC CONSUMPTION HAS DECLINED TO FIVE HUNDRED NINETY-THREE MILLION THIS YEAR, COMPARED WITH SIX HUNDRED NINETEEN MILLION BUSHELS THE YEAR BEFORE. THUS, U.S.

EXPORTS OF THESE COMMODITIES WILL HAVE INCREASED MORE THAN EIGHTEEN PERCENT, WHILE DOMESTIC CONSUMPTION HAS DECLINED FOUR PERCENT.

12. EXPORT CONTROLS, MR. CHAIRMAN, MAY BE A SUITABLE REMEDY FOR SHORT-TERM EMERGENCY SITUATIONS. BUT IN OUR VIEW THEY SHOULD NOT BE RELIED UPON AS A PERMANENT OR SEMI-PERMANENT FEATURE OF A NATION'S TRADE POLICY. WE REMAIN COMMITTED TO A POLICY WHICH WOULD ENCOURAGE INTERNATIONAL COOPERATIVE EFFORTS TO SOLVE WORLD FOOD PROBLEMS. WE BELIEVE THE WORLD HAS ENTERED A STAGE IN WHICH THE

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DEMAND FOR FOOD IS EXERTING EVER-INCREASING PRESSURE: AS A RESULT OF POPULATION GROWTH, INCREASED INCOMES, AND RISING LIVING AND DIETARY STANDARDS. MORE THAN EVER WE BELIEVE THAT THE WAY TO COPE WITH THIS NEW CHALLENGE IS TO FIND A MORE RATIONAL PATTERN OF PRODUCTION AND TRADE IN AGRICULTURAL COMMODITIES SO THAT EXPANDED OPPORTUNITIES FOR WORLD TRADE WILL MAKE AVAILABLE MORE FOOD AT CHEAPER PRICES FOR EVERYONE.

13. THE UNITED STATES' ROLE AS THE LEADING FOOD SUPPLIER IN THE WORLD IS WELL KNOWN. FOR THE FOURTH TIME IN A GENERATION MY COUNTRY HAS EMERGED AS A MAIN BULWARK AGAINST A WORLD FOOD CRISIS. (THREE OTHER OCCASIONS INCLUDE WORLD WAR TWO, POSTWAR RECONSTRUCTION, AND THE INDIAN FOOD CRISIS.) IN FACT, THE UNITED STATES HAS BEEN ABLE TO MEET MUCH OF THE CURRENT INCREASE IN DEMAND, WHILE USING ONLY A PORTION OF ITS PRODUCTIVE RESOURCES.

14. THE UNITED STATES HAS THE CAPABILITY TO SUPPLY EVEN LARGE AMOUNTS OF AGRICULTURAL PRODUCTS TO WORLD MARKETS. SINCE WE APPEAR TO BE FACED WITH AN INCREASED WORLD DEMAND, THE UNITED STATES IS TAKING STEPS TO BRING A GREATER PORTION OF ITS PRODUCTION CAPACITY TO BEAR ON THESE NEEDS. OUR DOMESTIC FARM PROGRAMS HAVE BEEN ADJUSTED TO PERMIT UP TO SIXTY-ONE MILLION ACRES TO BE PUT BACK INTO PRODUCTION. A RECENT SURVEY SHOWS THAT TWENTY-FIVE MILLION OF THESE ACRES WERE PLANTED TO 1973 CROPS. A TWENTY PERCENT INCREASE IN RICE ACREAGE WAS ALSO AUTHORIZED. FOR 1974, ALL OF OUR RESERVE ACREAGE HAS BEEN REMOVED FROM "SET ASIDE" RESTRICTIONS.

15. IN ADDITION TO THESE DOMESTIC MEASURES, WE HAVE ALSO BEEN CONSULTING ON A BILATERAL BASIS WITH MAJOR PRODUCING AND CONSUMING COUNTRIES TO OBTAIN A BETTER IDEA OF OUR

MUTUAL NEEDS. MY GOVERNMENT IS CONFIDENT THAT THE
AGRICULTURE COMMITTEE MEETING LATER THIS WEEK WILL PROVIDE

AN EVEN MORE COMPLETE DEFINITION OF THE PROBLEM WE FACE AND
THAT IT AND THE OCTOBER 12 ADVISORY MEETING CALLED BY THE
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SECRETARY GENERAL WILL PUT US ON THE ROAD TO EFFECTIVE,
COMMON SOLUTIONS.

16. FINALLY, MR. CHAIRMAN, AT THE JULY 5-6 MEETING OF THE
OECD EXECUTIVE COMMITTEE IN SPECIAL SESSION, THE UNITED
STATES SUGGESTED THAT AN EXCHANGE OF INFORMATION AND VIEWS
AMONG PRODUCING AND CONSUMING COUNTRIES ON EXPECTED
FUTURE TRENDS IN WORLD SUPPLY AND DEMAND WOULD BE USEFUL.
IMPROVING OUR KNOWLEDGE ABOUT WORLD MARKET CONDITIONS
WOULD ENHANCE OUR ABILITY TO AVOID CRISIS SITUATIONS.
SPECIFICALLY, WE PROPOSED A BASIC STUDY BY INDEPENDENT
EXPERTS OF WORLD AGRICULTURAL NEEDS. SUCH A STUDY COULD
FOCUS ON THE REQUIREMENTS OF BOTH PRODUCERS AND CONSUMERS,
GIVING PARTICULAR ATTENTION TO THE EXPANSION OF TRADE IN
THE GRAIN/FEED/LIVESTOCK SECTOR AS A MEANS OF IMPROVING
LIVING STANDARDS AND COMBATTING INFLATION.

17. I WOULD THINK, MR. CHAIRMAN, THAT A DISCUSSION OF
WHAT WORK COULD BE DONE WITHIN THE FRAMEWORK OF THE TCWP
WOULD SEEM SOMEWHAT PREMATURE AT THIS TIME, AND MIGHT BE
BETTER LEFT TO THE TRADE COMMITTEE ITSELF. WHATEVER WE
ULTIMATELY DECIDE, HOWEVER, I WOULD HOPE THAT THE EFFORTS
OF THE OECD WOULD COMPLEMENT WORK IN OTHER INTERNATIONAL
ORGANIZATIONS WHOSE MANDATE ALSO BEAR ON THE SUBJECT.
END QUOTE TEXT. RUSH UNQTE KISSINGER

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